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IN THE

Supreme Court of the United States

OCTOBER TERM, 1941.

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,

Petitioner,

vs.

S. S. KRESGE COMPANY,

Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

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THE BLAKELY-WARREN PRINTING COMPANY, 810 WEST JACKSON, CHICAGO

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PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

Respondent's brief ignores certain facts and principles of law and contains certain misleading implications. Accordingly the petitioner avails itself of its right, under paragraph 4(a) of this Court's Rule 38 to reply to the respondent's brief.

The brief for respondent ignores the following facts found by the District Court and which were not and could not have been set aside by the appellate court as it did not hold them to be "clearly erroneous" (Rule 52(a), Rules of Civil Procedure):

1. Petitioner's U. S. trade-mark registration is valid (R. 250, Par. 3).

2. It was infringed by respondent (R. 252, Par. 12).

3. It was difficult to distinguish respondent's products from petitioner's (R. 251, Par. 8).

4. Respondent's heels were of inferior quality, and tended to destroy the good-will of petitioner (R. 252, Par. 11).

5. Resondent's acts created confusion (R. 251, Par. 9).

6. Respondent's methods constituted unfair competition (R. 251, Par. 12).

Respondent's brief disregarded the following legal principles:

1. The owner of a U. S. registered trade-mark is entitled to recover the profits which the infringer has derived from its infringing acts, and "is required to prove defendant's sales only" (Sec. 19, Trade-Mark Act 1905—15 U. S. C. 99).

2. The infringer, and not the trade-mark owner, has the burden of proving that the sales of goods bearing the infringing trade-mark were due to other reasons than the presence of the infringing trade-mark. (*Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251.)

3. Proof of fraud on the part of the trade-mark infringer is not necessary to the recovery of profits by the trade mark proprietor (R. 443; *Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 158 U. S. 537, 549).

4. The infringement of a trade-mark is not limited to an exact copying, but is present when the mark of the infringer is different from but is sufficiently similar to that of the plaintiff as to tend to cause confusion. (*Northam Warren Corp.* v. *Universal*, 18 F. 2d 774, C. C. A. 7.)

5. Where a trade-mark has been held valid and infringed in an interlocutory decree, the extent of the profits of the infringer or the amount of damages are then to be

ascertained in an accounting. Sec. 19 Trade-Mark Act, 15 U. S. C. 99, provides that *upon a decree being rendered* holding wrongful use of a trade-mark, the profits and damages shall be assessed.

Specific Criticisms of Respondent's Brief.

Incomplete Quotation.

The respondent states on page 5 of its brief that the petitioner's bill of complaint prayed only that respondent be enjoined "from directly or indirectly using the said red mark". A false impression is conveyed by the respondent's failure to quote the entire passage. Actually, the bill of complaint prays that respondent be enjoined "from directly or indirectly using the said red mark *in connection with the manufacture or sale of heels for boots or shoes, or any imitation or simulation thereof, or any mark, designation, arrangement, ensemble, or dress that is likely to deceive or confuse purchasers or users.*" (R. 7.) The Respondent failed to quote the italicized portion, and yet without that portion, the quotation is incomplete and misleading.

Inconsistency.

The respondent's assertion on page 14 of its brief that its trade-mark infringement did not interfere with interstate or foreign commerce, is inconsistent with its answers to the petitioner's interrogatories Nos. 5, 9 and 10 (R. 20, 22, 23). In those interrogatories the respondent was asked whether it was shipping or causing to be shipped in interstate commerce and selling in various states the heels complained of, and in each instance the respondent answered "Yes". It is too late now for the respondent to deny that it was engaged in interstate commerce and to allege, on that ground, that the Trade-Mark Act of 1905 is not applicable.

Substance and Procedure.

The respondent, on page 10 of its brief, cites the case of *American Trading Co.* v. *Heacock Co.*, 285 U. S. 247, 258, in support of the proposition that the property rights in trade-marks rest upon the laws of the several states. From this, the respondent reasons, as did the Court of Appeals, that the proof to be required of the trade-mark owner in an accounting for profits is substantive law and should be determined by the local law of the state, notwithstanding the contrary provisions of the Trade-Mark Act of 1905.

This view conflicts with the statement made by this Court, in the very case cited by the respondent, *American Trading Co.* v. *Heacock Co., supra,* that it is the purpose of the Trade-Mark Act of 1905 "to provide appropriate procedure and to give the described protection and remedies where property rights exist". We understand this language to mean that the Trade-Mark Act of 1905 is *procedural.* If this understanding is correct, the provision of the Act that "in assessing profits the plaintiff shall be required to prove defendant's sales only" is procedural, and is controlling in the case at bar.

This view finds support in the decision of the Court of Appeals for the Third Circuit in *Duro Co.* v. *Duro Co.*, 56 F. 2d 313, and in the decision of the Court of Appeals for the Seventh Circuit in *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 116 F. 2d 708.

The opposite view is taken by the Court of Appeals for the Sixth Circuit in the present case, wherein it is impliedly decided that the assessing of profits for trade-mark infringement is substantive law, that Congress has no power to regulate the procedure in assessing of profits, and that, accordingly, that portion of the Trade-Mark Act of 1905 is superseded by the decisional law of Michigan. It is sub-

mitted that this decision not only ignores the controlling Act of Congress, but also it conflicts with the decisions of this Court and other Courts of Appeals, and it should be reviewed by this Court.

Comparative Summary Chart.

The respondent has incorporated in its brief a "Comparative Summary Chart" which is misleading in several respects. It classifies the petitioner's red circular figure as "Ornamentation" instead of as a trade-mark. The fact is that the petitioner's red circular figure is usually embosed with the words "Trade-Mark" and is registered, *per se*, as a trade-mark in the United States Patent Office (R. 338-339). The respondent has minimized the trade-mark significance of the colored inserts on its own heels in the same manner by classifying these markings as "Ornamentation".

Furthermore, by itemizing the numerous incidental characteristics of petitioner's and respondent's heels, the Comparative Summary Chart tends to exaggerate incidental features which the average customer would be unlikely to observe or remember.

Courts Should Not Ignore Statute.

The respondent contends that the Trade-Mark Act of 1905 does not deprive the courts of their right, in cases of trade-mark infringement, to decide for themselves when an accounting for profits should be awarded. We do not dispute this contention, but we submit that it is not involved here.

In the present case, the District Court in the exercise of its discretion, ordered an accounting of the infringer's profits. The accounting procedure is plainly and un-

equivocally prescribed by the Trade-Mark statute—"plaintiff shall be required to prove defendant's sales only".

It is our contention that the lower court erred in amending its accounting award, at the request of the infringer, to require the petitioner to prove matters which the controlling Act of Congress provides that a plaintiff shall not be required to prove. We urge, further, that the Court of Appeals not only erred in approving such accounting procedure, but also, that in doing so, the Court of Appeals disregarded and acted contrary to the controlling Act of Congress.

In brief, we agree that the courts may determine *when* to allow an accounting, but when they have awarded an accounting, as in the instant case, they are limited by statute in what they can require the trade-mark owner to prove.

The Respondent Misconstrued the Following Authorities.

The case of *Straus* v. *Notaseme*, 240 U. S. 179, 181, was a case of unfair competition only, and is not applicable in the present case involving infringement of a registered trade-mark. In that case the plaintiff had deliberately misrepresented that its trade-mark was registered, which it was not, and Mr. Justice Holmes stated that the liability of the defendant must be derived from unfair competition if it exists.

In the case of *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251, this Court *did not* exclude from the accounting for profits the goods which were marked clearly as having been manufactured by the defendant, as that question was not before it for review. This Court approved the order for an accounting which was appealed to it; and this order required the infringer to account for profits derived from the sale of the goods bearing the in-

fringing mark, *including those bearing the name of the defendant*. Obviously, the respondent's argument, that the petitioner should not be entitled to recover the profits on the infringing heels bearing the respondent's name, is not only not supported by this authority, but it is directly contradicted by it.

The respondent quotes on page 32 of its brief from the decision of this Court in *Leschen* v. *Broderick*, 201 U. S. 166, 171, that "a trade-mark which may be infringed by a streak of any color however applied, is manifestly too *broad.*" *It is* apparent from a consideration of the opinion that this Court was objecting to the vague character of a streak as a trade-mark for rope, and the indefiniteness as to how such a streak was applied to the rope.

This case did not explore the question of whether an infringer can avoid infringement by merely changing the color of an otherwise infringing mark. The petitioner respectfully urges that this is an important question in trade-mark law which should be settled by this Court.

The respondent endeavors to differentiate between the decision of the Seventh Circuit Court of Appeals in the case of *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 116 F. (2d) 708, and the present case on the ground that in the *Aladdin* case the infringer was found guilty of wanton, wilful and intentionally fraudulent infringement and unfair competition.

In the *Aladdin* case, the infringer's fraud was considered by the court in determining that the complainant was entitled to *punitive* damages in addition to *compensatory* damages. However, the Seventh Circuit Court of Appeals followed the accounting procedure prescribed in the Trade-

Mark Act of 1905, without regard to the infringer's fraudulent conduct.

Moreover, it has frequently been held that wrongful use of a trade-mark is itself evidence of an intent to defraud, and that it is not necessary to prove fraud on the part of a defendant in order to obtain relief in a case of trade-mark infringement. *Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 138 U. S. 537, 549. Obviously, then, the express finding of fraud, which is the only ground on which the respondent seeks to distinguish the *Aladdin* case from the instant case, does not serve to distinguish the two cases and does not overcome petitioner's contention that there is a conflict between these decisions which ought to be settled by this Court.

Patent Act Not Identical.

The respondent cites *Westinghouse Mfg. Co.* v. *Wagner Mfg. Co.*, 225 U. S. 604, 614, a patent case, as authority for the proposition that in an accounting, the plaintiff must first prove the existence of profits attributable to his inventions. The respondent urges that since the Trade-Mark Act of 1905 and Rev. Stat. 4921 (the Patent Act) contain certain identical language, the above authority is controlling in trade-mark cases.

This argument is dangerously misleading for the reason that, while the two statutes are in harmony as to when an accounting will be ordered, the Trade-Mark Act of 1905 contains the additional clause that "in assessing profits the plaintiff shall be required to prove defendant's sales only," and no corresponding language is to be found in the Patent Act.

Consequently, and despite the respondent's argument to the contrary, when an accounting of profits for trade-mark infringement has been ordered, the plaintiff is not required to prove the existence of profits attributable to the use of the infringing mark. He is required to prove the infringer's sales only. *This is statutory, and no asserted*

parallelism between patent and trade-mark cases can defeat it.

Conclusion.

In view of the foregoing considerations, it is submitted that the grounds upon which petitioner has prayed that a Writ of Certiorari be granted and that this case should be reviewed have not been effectively met, and that the Writ should be allowed.

Respectfully submitted,

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